

# **Meeting Minutes, July 13, 2005**

## **City Center Advisory Commission**

CCAC Members Present: Jim Andrews, Gretchen Buehner, Marland Henderson, Sharon Maroney, Mike Marr, Judy Munro, Carl Switzer, Mike Stevenson

CCAC Member Absent: Carolyn Barkley

Staff Present: Jim Hendryx, Duane Roberts, Barbara Shields

### **1. Welcome and Introductions**

The meeting was called to order at 6:30 PM by CD Director Jim Hendryx. He informed the group that a Council goal is to use Urban Renewal (UR) to implement the Downtown Improvement Plan. The City Center Advisory Committee's (CCAC) role is defined by charter and is to assist the Urban Renewal Commission in developing and carrying out an UR plan. The make-up of the CCAC is set by City charter and consists of 7 to 12 members. In April, Council decided on a 12-member CCAC, consisting of 6 Downtown Task Force members, 1 Planning Commission member, 1 Park and Recreation Board member, and up to 4 City residents or property owners at-large.

Following this overview, self introductions were made around the table and by everyone in the audience. Jim H. announced that at-large openings were available and that interest applications were being handled by the City Volunteer Coordinator, Bob Roth. A Council subcommittee will interview candidates for the available openings and make recommendations to the full Council.

### **2. Election of Officers**

Judy Munro nominated Mike Marr for the position of chair. The nomination was seconded by Mike Stevenson. Mike Marr announced that in accepting the chairmanship he would no longer serve as chair of the Downtown Improvement Task Force, because it would be "inappropriate to serve as chair of both groups."

Gretchen Buehner nominated Judy Munro to serve as vice-chair. Mike Stevenson seconded the nomination. Both nominations were approved by unanimous consent.

### **3. Urban Renewal Process and Timeline**

Jeff Tashman introduced this topic. He first summarized his professional background in the Urban Renewal area. He also introduced two consultant team members, Tina Mosca of Cascade Economic Planning and Tim Smith of Sera

Architects, who were in the room. He referred to two others on his Tigard UR team, a real estate broker and attorney, who were not present at the meeting.

Jeff announced that he wished to combine agenda items 3, *Urban Renewal Process and Timeline*, and 6 *Presentation: What is Urban Renewal?*

He began with a power point presentation on the basic concepts and steps involved in creating an UR Plan. Some 50 cities and 75 districts in Oregon currently have UR programs. The attraction of urban renewal is it that allows the use of Tax Increment Financing (TIF). Another attraction is that urban renewal provides special powers to government bodies to accomplish site assembly, i.e., to acquire or package large- or small-acre sites for private development and redevelopment.

Jeff explained that UR start-up procedures begin with Council designating an agency to manage the UR program. Council by charter is the agency in Tigard's case. It formally is known as the City Center Agency. The next step is developing the UR plan, which must be site-, project-, and time-specific. The charter specifies that the plan should be developed with the assistance and oversight of the CCAC.

The completed plan is adopted by Council. UR using TIF must have voter approval. The tax assessor begins TIF following voter approval in a May election. Tigard would need to adopt an UR plan by December in order to meet the timeline for a May vote.

An audience member asked how many other cities require a city-wide vote in order to use TIF. Jeff responded that Gresham is the only city besides Tigard. The State enabling statute allows TIF to be referred for a vote by petition.

Jeff continued by asking "What's in a plan". Development of the UR plan is the "major component where the public has input." He reviewed the various parts of a plan. "Projects respond to goals." Programs, unlike projects, are not site specific and can include such activities as financing a rehabilitation loan program or an architectural assistance program. Another key part the plan is policies on buying and selling land. UR is the only case where public agencies can use eminent domain to acquire or assemble land for private development. This power is in addition to the public agency power to assemble land for public projects. This aspect of UR is controversial with the public. Due to its sensitivity, some communities limit or choose not to include the power in their UR plans.

The law requires agencies to identify all property acquisitions, if any, included in their plans. A recent Supreme Court case upheld the right to acquire private property for resale to private developers. Even though the court decision was affirmative, the publicity surrounding it raised the issue in the public eye and generated a lot of interest and concern. One repercussion is that the Oregon

legislature is considering a law that would prohibit the use of condemnation to package a site for private re-development. If passed, this tool will not be available for use as part of UR. At issue for Tigard is the question of whether condemnation authority should be limited or not included at all in the UR plan. Jeff commented that many UR plans do not engage in site assembly and redevelopment. On the other hand, the threat of condemnation is an effective tool for forcing settlements. It is the sword hanging on the belt. Willing sellers are aware of condemnation when they negotiate deals with the UR agency.

Gretchen asked about the affect of a state law prohibiting the use of condemnation for private use on the acquisition of the creek-side open space shown in the Downtown Improvement Plan. Jeff responded that should the legislature act to limit or prohibit this power, “we would have to see how this would affect” the City’s ability to acquire the needed open space. Mike Marr pointed out that in speaking about condemnation “we should always emphasize that fair market compensation is paid” for property. Jeff commented that all the procedures regarding property acquisition in the UR statute are aimed at protecting the rights of owners. These protections include the owner’s right to go to court. The court can determine that the UR agency did not offer fair market value based on the agency’s appraisal of the property. This appraisal must be disclosed to the owner upfront or during negotiations. The condemnation authority is based on ensuring fair compensation and involves many legal protections for the property owner.

The UR plan sets limits on how much can be spend on projects and programs. Even increases by one penny require the agency to repeat all the steps involved in setting the original dollar amount of the plan. “Numbers are a big deal.” The numbers in the plan should be set at “the possible amount needed.” This is usually arrived at by a “gut level feeling” and by applying “common sense”.

A plan can be made easy or hard to change. By statute, if an UR area’s size or maximum indebtedness is increased by more than 1%, the change is considered a “major amendment” (as opposed to a “minor amendment”). The statute allows the community the authority to set limits for changes. A major amendment to a Tigard-adopted urban renewal plan that includes TIF triggers a requirement to go back and repeat the steps needed to create a brand new UR plan. These steps include voter approval of the new plan.

Gretchen asked whether there were a time limit on making changes to the UR plan. Jeff answered that there is no duration limit on the process for changing the plan.

Jeff elaborated on the UR Report. This is a technical report. It is not adopted or legally binding. It provides the bulk of the information needed to make findings that the UR plan is feasible. It also lays out how the TIF affects other taxing bodies.

Jeff went on to discuss TIF. TIF has changed since Ballot Measures 47 and 50. Prior to the passage of these ballot measures, TIF raised taxes on everyone. All taxpayers paid more. The impact was on taxpayers, not on the taxing bodies. The districts were unaffected by UR. The year 1998 marked a change to a system where UR does not raise taxes on taxpayers, but instead affects the tax revenues collected by the districts.

Using a chart, Jeff explained how TIF works. The value of all property within the UR area is frozen at the time of UR adoption. The incremental growth in value above the frozen base is used to carry out the improvements and activities defined in the UR plan. The districts continue to receive tax revenue based on the frozen tax base during the life of the UR plan.

The tax assessor divides the taxes into frozen base and growth accounts or pots of money. The growth portion includes the 3% automatic increase.

The rationale for TIF is the City's judgment that the area in question has barriers to development and would grow very little without removal of the barriers. It would not grow on its own. Public investment is needed for a finite period of time. The duration of TIF is the estimated amount of time necessary to collect the tax increment revenues needed to match maximum expenditures. The list of projects and dollar estimates is a "signal to citizens" regarding the scope of the plan.

In response to an audience member question concerning the relationship between tax interest bonds and TIF, Jeff indicated that tax interest bonds could be issued to raise revenue for UR projects and then paid off over time using TIF revenues.

Jim Hendryx commented that affected taxing districts may be concerned about the loss of revenue that otherwise would have gone to them. In dealing with the districts, it is important to point out that the additional revenues would not have been generated without UR. TIF allows for the "reinvestment of property taxes on growth." Jeff added that in the case of school districts there is no direct relationship between TIF and tax revenues. This is because any loss in property taxes is made up by state funding.

An audience member asked about the impact on a locality's credit rating if bonds are not paid off. Jeff answered that "on the most practical level, if taxes are not enough to pay off the debt on bonds", other funds would have to be found to make up the difference. Failure to pay off UR bonded indebtedness would have the serious consequence of adversely affecting the locality's bond rating. However, in his twenty-five years of experience in the UR area, he knows of no example in Oregon where TIF revenues have not been sufficient to pay off debt. "No one goes into debt on the basis of optimistic revenue assessments." Public

officials by nature are cautious and fiscally conservative. Most commonly, localities “go little step by little step”. Borrowing for UR is “extremely conservative.”

Jeff used a chart to show why “tax increment financing does not affect property taxes paid by tax payers.” At the same time, a recent change in the law requires that funds generated by TIF shall come from all property, rather than only from property located within the UR district. The basis is the whole city. Although they are unaffected and the amount of property taxes they pay doesn’t change, the TIF portion does show up on every taxpayer’s property tax bill.

Mike Marr commented that people would interpret this as indicative of an “impact on schools.” Jeff indicated that TIF gets more complicated the more you get into it. There is no property tax impact even though there may appear to be.

The UR plan provides overall direction. It talks about how UR is to be carried out. The plan is a “fluid document. Although important, it doesn’t mean you have to get everything right.”

Jeff encouraged the CCAC to invite representatives of the tax districts to the hearings on UR plan adoption. Hearing notices to every tax payer in the locality are required by law. This is a moot point in Tigard’s case because the City charter requires an election on the use of TIF.

Jeff went over the CCAC meeting schedule. This includes 5 meetings from July to September to complete the draft plan. Jim H. pointed out that the ballot title has to be adopted in February in order to appear on the May ballot. The timeline for the development of the UR plan is based on the whole election process.

An audience member asked when the collection of the TIF increment ends. Jeff responded that its collection automatically ends when all debt is paid off. He added that when an agency actively pursues and UR plan the pay-off is usually in the range of 26-28 years. To the extent that growth is faster and more valuable, the faster is the pay-off.

No change is seen “in the tax bill when TIF stops. The rationale for UR is that “it is necessary to have public investment now in order to get more revenue later.”

Mike Marr commented that the general, area-wide increase in the real estate market could take 10 years or more to reach the downtown area. The idea behind UR is that catalyst projects will produce faster development. Jeff commented that in putting together the UR plan, the community uses its best judgment in picking which catalyst projects are likely to pay off.

Gretchen observed that it would be important for voters to understand what other communities have been able to do using urban renewal. Jeff commented that

the City of Tualatin has established two UR districts, one industrial and one commercial, since 1980. The industrial district in particular has been highly successful. In Hillsboro, UR has focused on site assembly for Intel and Orenco Station. These two are the biggest success stories in the state.

An audience member asked if TIF prohibited or constrained the owner's right to protest a tax assessment. Jeff responded that a tax payer within the district has exactly the same rights as does a taxpayer located anywhere else in the City. Measure 50 rolled back real estate market values. By law assessments can only go up 3% annually, even though real market value may increase by 15%. Over time, most neighborhoods will see an increasing gap between tax assessed and real market value.

Gretchen asked about the effect of new development on the tax rolls. Jeff responded that new construction will come on the tax rolls at a reduced rate and then only go up by 3% annually. The slow revenue generating potential of TIF at the beginning of an urban renewal program is an incentive to jump-start revitalization by using other funding sources. This can include scheduling public improvement projects for early implementation or by using TIF to leverage grants.

Jim Hendryx pointed out that another option is to borrow against TIF revenue. A Council briefing on borrowing options is scheduled for September 19<sup>th</sup>.

Jeff pointed out that leveraging TIF value is a way of responding to opportunities. As an example, half street improvements may be needed to support a private project. TIF is a tool to borrow the dollars needed to finance the improvements. In the beginning, the scale of "what the plan sets out to do looks modest."

Mike Stevenson commented that the agency needs to learn how to avoid pitfalls and to protect itself from risk in partnering with developers. Jeff mentioned that the level of effort that goes into developer agreements is immense.

#### **4. Public Outreach Consultant Introductions**

Jeff introduced Jim Rapp of Norton-Arnold & Company, the public outreach consultant. Jim outlined the outreach program developed by the firm. A challenge is to "get people to understand TIF under Oregon law." Norton-Arnold & Company currently is conducting a telephone survey to gauge the community's level of awareness about urban renewal and downtown revitalization efforts. The survey will include contacting some 400 Tigard residents by telephone between now and the end of July. The results of a recent brain storming meeting along with those from the telephone survey "will go into a draft public outreach plan." Implementation of the council-adopted plan is set for early September.

Jim passed out an outreach schedule, commenting on the need to synchronize with the CCAC's schedule.

## **5. Refine UR Area Boundaries/Draft Goals and Objectives**

Jim Hendryx went over the CCAC meeting schedule. The committee agreed upon the following schedule of meetings: August 3<sup>rd</sup> and 24<sup>th</sup> and September 7<sup>th</sup> and 21<sup>st</sup>. Jeff confirmed that this schedule will allow sufficient time to complete and forward a draft UR plan to the Planning Commission.

Jeff commented that one of the CCAC's first tasks will be defining the boundaries of the UR district. Mike Marr expressed the view that changing the UR boundary map would complicate efforts to capitalize or "build on the work of the downtown plan."

Gretchen commented that the rail corridor segment to be "given up" by the landowner is included in the study area.

Jim Hendryx asked the committee about its interest in adding potential UR focus areas east of Hall. Mike Stevenson commented that the Safeway plaza is an eyesore and a potential candidate for an UR district in two years or so. It would be "wrong to change the focus of the downtown plan" at this stage. The CCAC can form another district later on if it wishes to use UR to upgrade other areas.

Jeff handed out a list of draft UR goals, commenting that most are taken directly from the Downtown Improvement Plan. "Most cities don't start from where the City is now." Few start out as far along as Tigard now is in its downtown planning efforts.

Mike M. adjourned the meeting at 8:15 PM.